

VZCZCXRO4277

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DE RUEHME #1333/01 1231835

ZNR UUUUU ZZH

P 021835Z MAY 08

FM AMEMBASSY MEXICO

TO RUEHC/SECSTATE WASHDC PRIORITY 1681

INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY

RUEHBO/AMEMBASSY BOGOTA PRIORITY 4051

RUEHGT/AMEMBASSY GUATEMALA PRIORITY 3691

RUEHPE/AMEMBASSY LIMA PRIORITY 1548

RUEHMU/AMEMBASSY MANAGUA PRIORITY 1025

RUEHZP/AMEMBASSY PANAMA PRIORITY 2311

RUEHQT/AMEMBASSY QUITO PRIORITY 1366

RUEHSJ/AMEMBASSY SAN JOSE PRIORITY 1822

RUEHSN/AMEMBASSY SAN SALVADOR PRIORITY 2580

RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0623

RUEHDG/AMEMBASSY SANTO DOMINGO PRIORITY 0764

RUEHTG/AMEMBASSY TEGUCIGALPA PRIORITY 1778

RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RUEAHLA/DEPT OF HOMELAND SECURITY PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC PRIORITY

RHEHNSC/NSC WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 03 MEXICO 001333

SIPDIS

SENSITIVE

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STATE FOR A/S SHANNON AND A/S SULLIVAN

STATE FOR WHA/MEX, WHA/EPSC, EB/TPP

USDOC FOR A/S BOHIGIAN

USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GERI WORD

TREASURY FOR IA (LUYEN TRAN, RACHEL JARPE)

DHS FOR CBP/PSO/MARTINEZ_FONTS

NSC FOR RICHARD MILES, DAN FISK

STATE PASS TO USTR (EISSENSTAT/MELLE)

STATE PASS TO FEDERAL RESERVE (ANDREA RAFFO)

STATE PASS TO GSA/PEPPLER

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [PBTS](#) [KTEX](#) [EAGR](#) [MX](#)

SUBJECT: MEXICO EAGER FOR TANGIBLE PROGRESS ON AGP AND

BORDER FACILITATION BEFORE JANUARY 2009

REF: (A) 08 SECSTATE 41895 (B) 07 MEXICO 6186

Summary

1. (SBU) Top Mexican trade officials are anxious to register concrete progress on the Alliance for Growth and Prosperity (AGP) and the Joint Border Facilitation Working Group (BFWG) before the end of President Bush's second term. They also want to institutionalize these sorts of cooperative structures, including the Security and Prosperity Partnership (SPP), as much as possible to ensure that they survive the transition to the next U.S. Administration. In the meantime, Mexico recently hosted a meeting of the Pacific Arc Forum in Cancun at which the eleven participating Latin countries agreed to advance their efforts on cumulation of origin among common free trade partners and examine possibilities of convergence in other areas. Mexico was disappointed by the failure of the Dominican Republic to pass legislation needed for implementation of the CAFTA-DR textile cumulation mechanism in time for an announcement in New Orleans, and asked for the U.S. re-consider its position on this issue. End summary.

2. (U) On April 29 Econ MinCouns and EconOff met with Beatriz Leycegui, Under Secretary of International Trade Negotiations for the Ministry of Economy, Juan Carlos Baker, her Director General for NAFTA, and Roberto Zapata, her Director General for Multilateral Affairs. In addition to delivering

demarches on the U.S. WTO re-manufacturing initiative and U.S. priorities for APEC 2008 (Mexican responses to these will be reported separately), we discussed at length Mexican views on various initiatives aimed at greater bilateral and hemispheric economic integration.

Shrinking Window of Opportunity with U.S.?

13. (SBU) Leycegui and her colleagues expressed great interest in the ongoing U.S. election campaign and noted the beating that trade in general and NAFTA in particular have taken in the Democratic primary. Leycegui asserted that this was why it was so important to strengthen the institutional framework for promoting greater economic integration in the few months remaining before the next President takes office. Econ MinCouns noted the commitment expressed by Secretaries Rice, Espinosa, and Bernier at their April 8 meeting in Washington to support the AGP (REF A). Leycegui agreed that the U.S. and Mexico are natural AGP partners, but noted that, while the State Department seemed enthusiastic, USTR naturally had passage of the pending Colombia, Panama and Korea FTAs at the top of its list of priorities. Nonetheless, she proposed selecting one or two easily-accomplished AGP proposals, like the idea for English language training raised during the November 2007 visit of Assistant Secretaries Sullivan and Lowery (REF B), and making a serious effort to achieve concrete progress that would give some legitimacy to the AGP that might help it survive the transition to the next U.S. administration. Leycegui emphasized that Mexico stood ready to support concrete AGP proposals from the U.S. side. She also planned to call Commerce A/S Bohigian soon to discuss

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doing something similar on the BFWG, i.e., picking one or two specific projects that the two sides could make visible progress on before January 2009 in order to demonstrate the value of this group to the next occupant of the White House. Leycegui also proposed more joint tours of the border during that same time-frame. She noted that, from the Mexican perspective, border facilitation had been one of the two major "prosperity pillar" commitments coming out of the April North American Leaders' Summit held in New Orleans. The other was regulatory cooperation in the automotive and agri-business sectors. With regard to the latter, she said U.S. and Mexican agriculture were complementary, with the U.S. specializing in grains and Mexico in fresh fruits and vegetables. Both were extremely competitive in their respective areas, and thus it made sense to harmonize our sanitary and phyto-sanitary measures to improve our ability to export world-wide.

Moving Ahead with Pacific Arc

14. (SBU) Leycegui reported that the third meeting of the Pacific Arc Forum (PAF, a.k.a. Pacific Basin Initiative Forum) that took place in Cancun April 13-14 on the fringes of the World Economic Forum was a success. The eleven participating economies were Colombia, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru. She said that the group was still working on establishing cumulation of origin amongst common free trade partners with the ongoing assistance of the Inter-American Development Bank, and indicated that there was the possibility that formal negotiations on this topic could commence as early as the next PAF meeting, which Chile has agreed to host. She said the group was also discussing convergence in other free trade disciplines. Asked about chances for achieving real results, Leycegui said the PAF does not require the approval of all its members for moving on any particular initiative. Rather, those interested in forging ahead are free to do so, with others reserving the right to join up later. She said that Mexico, Colombia, Peru and Chile were at present the most gung-ho, and that hopefully they would be able to produce substantial results

in integrating their FTAs that others, especially the U.S., would be able to dock onto once their respective domestic politics allowed.

Disappointed on Textiles Cumulation

15. (SBU) A major disappointment for Mexico at New Orleans was the failure of the lower house of the Dominican Republic's legislature to approve the amendment to its trade laws that would have permitted the activation of the textile cumulation provisions in the U.S. and Mexican FTAs with the Centrals/DomRep. Mexico had been hoping to announce at the Leaders' Summit the entry into force of these provisions, which would have permitted the duty-free export to the U.S. market of Centrals/DomRep apparel that made use of Mexican textile inputs, and vice versa. According to Leycegui, the Dominican Republic determined that it could extract additional concessions from the U.S. that would take some

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time to work out. She asked that the USG re-consider the possibility of allowing the textile cumulation provisions to take effect for the Central American partners that have already made the necessary amendments to their laws. Econoffs commented that the USG position on this point had been made abundantly clear last year, but promised to pass the Mexican request back to Washington.

Comment

16. (SBU) Mexico's top economic officials are firmly convinced that greater economic integration with their neighbors, both to the north and the south, is essential to their country's ability to compete in the global marketplace. They see the AGP as a promising vehicle for advancing that agenda on the broadest hemispheric scale, but are worried that unless clearly positive results are produced before a new President occupies the White House, the initiative will at best lose steam and could evaporate altogether. The same concerns apply to the BFWG, and more broadly to the SPP. Uncertain of whether they will be able to make progress in the near-term with their most important trading partner, the Mexicans seem serious about trying to harmonize their various free trade agreements with other Latin countries via the Pacific Arc Forum, with the hope that when the U.S. decides it is ready to join such an undertaking, there will already be something substantial in place for it to dock on to. The jury remains out on Mexico's optimism that it can achieve significant trade convergences with its Latin partners. Even in Mexico such proposals could face considerable political resistance. But there is no doubt about the Calderon Administration's commitment to making the attempt. End comment. Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/> BARCLAY